

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/097 W

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R 172335Z DEC 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 1925

INFO USDEL MTN GENEVA

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E. O. 11652 : N/A

TAGS : MTN, ETRD

SUBJ : TROPICAL PRODUCT NEGOTIATIONS--MEXICO

REF : STATE 287116

1. THE REFERENCE CABLE ASKS INDIVIDUAL POSTS TO IDENTIFY SPECIFIC TRADE BARRIERS AND MEASURES RESTRICTING US TRADE WHICH THE HOST COUNTRY MIGHT FEASIBLY REDUCE OR ELIMINATE.

2. AS WE HAVE REPORTED ON NUMEROUS OCCASIONS, ALL MEXICAN IMPORTS ARE SUBJECT TO PRIOR LICENSING. PARTLY FOR PROTECTIONIST REASONS, BUT LARGELY BECAUSE OF AN ALMOST UNMANAGEABLE TRADE DEFICIT, NO CONSUMER GOODS ARE LICENSED FOR IMPORTS AND ONLY THOSE INDUSTRIAL GOODS WHICH CANNOT BE SUBSTITUTED FOR OR PRODUCED IN MEXICO. THE IMPORT LICENSING REVIEW PROCESS IS COMPLICATED AND TIME-CONSUMING. DESPITE THE AVOWED GOM OBJECTIVE OF DIVERSIFYING BOTH MARKETS AND SUPPLIERS, IDENTIFIABLE INSTANCES OF DISCRIMINATION AGAINST US PRODUCTS

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ARE ALMOST NON-EXISTENT. (AN EXCEPTION IS NOTED BELOW.)

GIVEN THESE CIRCUMSTANCES, WE FIND FEW TRADE BARRIERS TO USE IN NEGOTIATIONS THAT WOULD NOT BE CONSIDERED PART OF THE GOM'S OVERALL DEVELOPMENT AND FINANCIAL PROGRAM.

3. WE ARE ALSO SOMEWHAT UNCERTAIN ABOUT MEXICO'S STATUS IN THE MTN NEGOTIATIONS. WE ARE HESITANT TO SUGGEST THAT THE USDEL ASK AS PART OF A NEGOTIATION THAT MEXICO CHANGE SOME IMPORT POLICY THAT THE MEXICANS SHOULD CHANGE WITHOUT NEGOTIATIONS. FURTHERMORE, WE HESITATE EVEN TO PUT CURRENT TROUBLESOME BARRIERS ON THE TABLE SINCE IMPLEMENTATION OF THEIR SUCCESSFUL RESOLUTION MIGHT BE POSTPONED UNTIL A PACKAGE WAS IMPLEMENTED AFTER GATT NEGOTIATIONS ARE COMPLETED. IF MEXICO DECIDES WHEN ALL IS SAID AND DONE THAT THE BALANCE OF ADVANTAGES IS SUCH TO MAKE GATT MEMBERSHIP UNDESIRABLE, WE WOULD BE WORSE OFF THAN BEFORE AS CONCERNS THESE PARTICULAR PROBLEMS. WE WOULD APPRECIATE THE FURTHER COMMENTS OF THE DEPARTMENT AND OF THE US DEL ON THESE POINTS.

4. AN EXAMPLE OF THE ABOVE IS A WINE QUOTA FOR THE UNITED STATES. IN 1975 MEXICO IS EXPECTED TO IMPORT A TOTAL OF 120,000 CASES OF WINE, OF WHICH 70,000 WILL COME FROM FRANCE. OTHER WINE IMPORTS COME FROM GERMANY, CHILE, ITALY, ARGENTINA, AUSTRALIA, HUNGARY, ETC. SUPPLIES FROM SPAIN WERE INTERRUPTED FOR POLITICAL REASONS, BUT WILL NO DOUBT RESUME. EVEN THOUGH THE US TAKES LARGE QUANTITIES OF MEXICAN TEQUILLA, BEER AND WINE, IMPORTS FROM THE UNITED STATES ARE ZERO. THE EMBASSY HAS ASKED FOR A US QUOTA OF 40,000 CASES FOR 1976 BUT WOULD SETTLE HAPPY FOR 10,000 CASES. WE HAVE HAD REASONABLY FORTHCOMING RESPONSES TO OUR REPRESENTATIONS ON THIS ISSUE, BUT CAN'T SEEM TO NAIL IT DOWN. IF OUR LOCAL EFFORTS FAIL, BRINGING UP THE MATTER AT THE MTN MAY BE THE BEST NEXT STEP.

5. AT THE PRESENT TIME, WE SUGGEST THAT THE US DEL CONCENTRATE ON A REDUCTION OF DUTIES--TO BE BOUNT IF MEXICO JOINTS THE GATT. (A LONG TERM BUT UNLIKELY ALTERNATIVE GOAL IS THE WHOLESALE SUBSTITUTION OF TARIFF PROTECTION IN PLACE OF QRS).

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6. SHOULD IT BE FOUND USEFUL TO PURSUE TARIFF REDUCTION GOALS, WE SUGGEST THE FOLLOWING PRODUCTS:

- A) WINE - REDUCE DUTY AND BIND DUTY
- B) HORSES WITH PEDIGREE (QUARTER HORSES) - REDUCE AND BIND DUTY
- C) TRIPE - BIND DUTY (AND REMOVE LICENSING REQUIREMENTS) (LICENSING IS PRINCIPAL PROBLEM.)

D) POPCORN - BIND DUTY (AND REMOVE LICENSING REQUIREMENTS) (LINCENSING IS PRINCIPAL PROBLEM.)

DETAILS FOLLOW :

A) TABLE WINE ENTERS MEXICO UNDER SECTION 22.05.A.003 OF THE GENERAL TARIFF SCHEDULE. DUTY IS 75 PERCENT OF INVOICE VALUE OR 15 PESOS PER KILO BRUTO, WHICHEVER IS HIGHER. VALUE OF US TRADE OF 10,000 CASES OF TABLE WINE IF QUOTA IS OBTAINED IS APPROXIMATELY US\$350,000.

B) HORSES WITH PEDIGREE (QUARTER HORSES) ENTER MEXICO UNDER SECTION 01.01.A.005 OF GENERAL TARIFF SCHEDULE. CURRENT DUTY IS 25 PERCENT OF INVOICE VALUE OR 20,000 PESOS PER HORSE, WHICHEVER IS HIGHER. OFFICIAL VALUE WAS DECREASED TO 20,000 PESOS FROM 30,000 PESOS ON DEC 13, 1975. DUTY WAS INCREASED TO 25 PERCENT ON AUGUST 28, 1975 FROM 10 PERCENT WITH OFFICIAL PRICE OF 30,000 PESOS. PRIOR TO JAN 1, 1975 RATE OF DUTY WAS 4 PERCENT ON MINIMUM OFFICIAL PRICE OF 27,400 PESOS. IT IS SUGGESTED THAT OFFICIAL PRICE BE BOUND AT 20,000 PESOS AND THAT RATE OF DUTY BE RETURNED TO 4 PERCENT. VALUE OF IMPORTS IN 1974 WAS APPROXIMATELY US\$213,000.

C) TRIPE ENTERS MEXICO UNDER SECTION 05.04.A.001 OF GENERAL TARIFF SCHEDULE. IT IS SUGGESTED THAT DUTY BE BOUND AT ITS PRESENT 5 PERCENT WITH PRESENT OFFICIAL PRICE OF 5.00 PESOS PER KILOGRAM AND THAT LICENSING REQUIREMENTS FOR THIS PRODUCT BE ELIMINATED. VALUE OF MEXICAN IMPORTS OF US TRIPE IN 1974 WAS ABOUT US\$2,080,000.

D) POPCORN ENTERS MEXICO UNDER SECTION 10.05.A.003 OF GENERAL TARIFF SCHEDULE. IT IS SUGGESTED THAT DUTY BE BOUND AT ITS PRESENT 10 PERCENT WITH PRESENT OFFICIAL LIMITED OFFICIAL USE

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PRICE OF 2.50 PESOS PER KILOGRM AND THAT LICENSING REQUIREMENTS FOR THIS PRODUCT BE ELIMINATED. VALUE OF MEXICAN IMPORTS OF US POPCORN IN 1974 WAS ABOUT US\$1,407,000.

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